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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

1  
2 WILLIAM A. MUNDELL  
CHAIRMAN  
3 JIM IRVIN  
COMMISSIONER  
4 MARC SPITZER  
COMMISSIONER

2002 FEB 11 A 10:35

AZ CORP COMMISSION  
DOCUMENT CONTROL

5  
6 IN THE MATTER OF THE JOINT  
APPLICATION OF SUN CITY WATER  
7 COMPANY AND SUN CITY WEST  
UTILITIES COMPANY FOR APPROVAL  
8 OF CENTRAL ARIZONA PROJECT  
WATER UTILIZATION PLAN AND FOR AN  
9 ACCOUNTING ORDER AUTHORIZING A  
GROUNDWATER SAVINGS FEE AND  
10 RECOVERY OF DEFERRED CENTRAL  
ARIZONA PROJECT EXPENSES.

Docket No. W-01656A-98-0577  
Docket No. SW-02334A-98-0577

Arizona Corporation Commission  
**DOCKETED**

FEB 11 2002

DOCKETED BY 

11  
12 **RUCO'S CLOSING BRIEF**

13 **INTRODUCTION**

14 The Residential Utility Consumer Office ("RUCO") submits the following points in  
15 support of its position that the Arizona Corporation Commission ("Commission") should not  
16 approve the Groundwater Savings Plan ("GSP") as proposed by Sun City Water Company and  
17 Sun City West Utilities Company (collectively the "Company"). Although RUCO recognizes  
18 that the Commission has previously approved the "concept of the Groundwater Savings  
19 Project", RUCO believes that the Company's recommendation should be denied for two  
20 reasons. First, the high cost of the GSP will almost certainly, and unnecessarily, result in rate  
21 shock to ratepayers. Second, approval of the GSP at this time would be imprudent, given the  
22 Environmental Protection Agency's ("EPA") new arsenic standard.

23 A Decision to reject the GSP would not mean that the Central Arizona Project ("CAP")  
24 water would not be utilized. The CAP water is currently being utilized without the necessity of

1 future rate shock to ratepayers. Tr. Vol. I, pgs. 175-177. By denying approval of the GSP, the  
2 Commission could approve the current CAP usage on a permanent basis.

#### 3 4 **THE HIGH COST OF CITIZEN'S RECOMMENDED PROJECT**

5 The Commission, in Decision No. 62293, ordered the Company to file a report setting  
6 forth a preliminary design and updated cost estimate for the GSP. Decision No. 62293 pgs.  
7 20-21. In response, the Company filed a Preliminary Engineering Report ("PER"), which,  
8 among other things considered six different alternatives to implement the GSP. The  
9 Company's final recommendation proposes a transmission pipeline which originates at an  
10 existing Central Arizona Project ("CAP") Canal turnout, proceeds south along Lake Pleasant  
11 Road and continues to various control sites in Sun City and Sun City West. Exh. A-1, pg. D-  
12 10. The Company estimates the cost of the GSP to be approximately \$15 million. Exh. A-1,  
13 pg. E-3.

14 At this cost, the ratepayers of Sun City and Sun City West would be subject to a rate  
15 increase of approximately 45%. Exh. RUCO-2, pg. 4. The Commission would be remiss if it  
16 were to only consider the plan's costs, and not its impact on rates. To the people of Sun City  
17 and Sun City West, many of whom are elderly and on a fixed income, a 45% increase in their  
18 rates would have a substantial impact.

19 One of the fundamental principles of utility regulation is to ensure that utility investment  
20 adhere to least-cost principles. In order to achieve that goal the Commission should only allow  
21 reasonable, prudent and necessary costs. The Company has no incentive to design a least  
22 cost proposal, because the ratepayers, not the Company will be ultimately responsible for the  
23 costs. Exh. SCTA-1, pgs. 12-13. It should therefore come as no surprise that the Company's  
24 recommended plan includes approximately \$1.5 million of unnecessary costs. Tr. Vol. I, pg.

1 112. Viewed in its totality, the GSP is overpriced, unnecessary (because the CAP water is  
2 currently being used), and will result in rate shock for no good reason.

3 The Commission must also consider the effect that the GSP will have on future rates.  
4 The most obvious effect would be the higher rates that ratepayers would be subject to as a  
5 result of the GSP's cost. The Commission was established by the Arizona Constitution for the  
6 purpose of the protection of the public from exploitation by the utilities. Arizona Corporation  
7 Commission v. State Ex. Rel. Woods, 171 AZ 286, 290, 830 P.2d 807, 811 (1992). The  
8 Commission would be abdicating its constitutional duty if it approved the GSP without  
9 considering the consequences to ratepayers.

10 In Decision No. 62293, the Commission did not specifically approve the final cost of the  
11 GSP. A review of the minutes of the Open Meeting held on January 26, 1999<sup>1</sup> makes it clear  
12 that the cost of the GSP is an issue that the Commission reserved for a later time. See  
13 excerpts from the Open Meeting minutes of January 26, 2000, pgs. 13-20, attached as  
14 Appendix 1. The cost of the GSP was discussed on several occasions throughout the Open  
15 Meeting. At one point, "Commissioner Irvin wanted to know what would happen if they are  
16 stuck with this concept and the cost is deemed too high by the Commission." The Hearing  
17 Officer assured him that the Commission can "...modify their decision if they desire to do so."  
18 Open Meeting Minutes, January 26, 1999 at pg. 18. At another point in the Open Meeting,  
19 Commissioner Irvin asked the Company if they would be "...willing to cap the cost at \$11  
20 million." The Company responded that it would not "...because that is not the issue." Open  
21 Meeting Minutes, January 26, 1999 at pg. 19. The Commission's silence in the Decision does  
22 not equate to approval of the cost. To the contrary the Open Meeting minutes suggest that the

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24 <sup>1</sup> At the Open Meeting, the Commissioner's passed by a vote of 3-0 the Recommended Opinion and Order as amended which underlies Decision No. 62293.

1 Commission was unwilling to grant outright approval of the GSP due to its concerns about its  
2 costs.

#### 3 4 **THE NEW ARSENIC STANDARD**

5 The Commission should not approve the GSP because CAP water that would otherwise  
6 be committed to the GSP could be necessary as a least-cost solution to the Company's  
7 arsenic problem. On January 22, 2001, the EPA promulgated Rules which set the maximum  
8 arsenic level for residential water systems at 10 parts per billion ("ppb").<sup>2</sup> The new standard  
9 was the subject of significant debate, resulting in a delay of the Rules effective date until  
10 February 22, 2002. The Rules provide that water systems must comply with this standard by  
11 January 23, 2006.

12 Prior to the adoption of the new arsenic standard, arsenic had not been an issue in this  
13 docket since the water systems for Sun City and Sun City West were in compliance with the  
14 previous arsenic standard. However, according to the Company's water resource manager,  
15 Keith Larson, some of the wells in the Sun City West water system do not meet the new  
16 arsenic standard, and will require treatment. Tr. Vol. II, pg. 372. Mr. Larson further  
17 acknowledged that the arsenic level in CAP water falls far below the new arsenic standard. Tr.  
18 Vol. II, pg. 372. The GSP would utilize the Companies' entire CAP allocation to irrigate golf  
19 courses in Sun City and Sun City West. Exh. A-2, pg. 14. The CAP would then be unavailable  
20 for use as a solution to the arsenic problem. Approval of the plan could potentially subject the  
21 ratepayers of Sun City to the unnecessary, expensive, and avoidable cost of arsenic treatment  
22 measures to assure compliance with the new arsenic standard. This opportunity cost, when  
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24 <sup>2</sup> The old arsenic standard was 50ppb.

1 added to an already overtaxed rate base, will only enhance the resultant rate shock on the  
2 ratepayers of Sun City.

3 If the Commission should later decide to use the CAP water for another purpose,  
4 ratepayers could still be responsible for the costs of the infrastructure that will be sitting idle  
5 and no longer used for the GSP. Staff's engineer, Marlin Scott, Jr., testified that sunken costs  
6 comprise approximately 55% (or \$8.2 million of the approximate \$15 million) of the total  
7 estimated cost of the Company's recommended plan. Tr. Vol. II, pgs. 446-447, Exh. A-1, pg. E-  
8 3.

9

10 **CONCLUSION**

11 The GSP should be rejected, as its high cost will result in rate shock. The use of CAP  
12 water for the GSP will also exclude the possibility of its use as a least-cost solution to the  
13 arsenic problem. RUCO recommends that the Commission reject the GSP and approve the  
14 current use of the CAP water on a permanent basis.

15 RESPECTFULLY SUBMITTED this 11th day of February, 2002.

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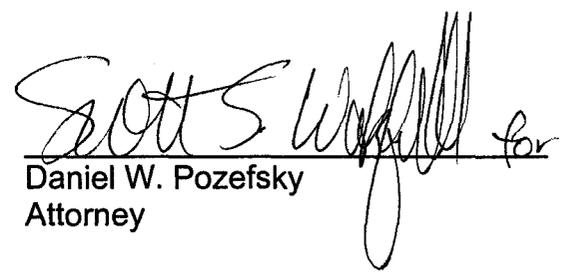
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 for  
Daniel W. Pozefsky  
Attorney

1 AN ORIGINAL AND TEN COPIES  
of the foregoing filed this 11th day  
2 of February, 2002 with:

3 Docket Control  
Arizona Corporation Commission  
4 1200 West Washington  
Phoenix, Arizona 85007

5 COPIES of the foregoing hand delivered/  
6 mailed this 11th day of February, 2002 to:

7 Dwight Nodes  
Administrative Law Judge  
8 Hearing Division  
Arizona Corporation Commission  
9 1200 West Washington  
Phoenix, Arizona 85007

10 Christopher Kempley, Chief Counsel  
11 Legal Division  
Arizona Corporation Commission  
12 1200 West Washington  
Phoenix, Arizona 85007

13 Ernest Johnson, Director  
14 Utilities Division  
Arizona Corporation Commission  
15 1200 West Washington  
Phoenix, Arizona 85007

16 Michael M. Grant  
17 Todd C. Wiley  
Gallagher & Kennedy, PA  
18 2575 East Camelback Road  
Phoenix, Arizona 85016-9225

19 Ray Jones  
20 General Manager  
Sun City Water Company  
21 P.O. Box 1687  
Sun City, Arizona 85372

22

23

24

1 Barbara Goldberg  
2 Steptoe & Johnson, LLP  
3 Two Renaissance Square  
40 North Central Ave., 24th Fl.  
5 Phoenix, Arizona 85004-4453

6 William G. Beyer  
7 5632 West Alameda Road  
8 Glendale, Arizona 85310

9 William Sullivan  
10 Martinez & Curtis, P.C.  
11 2712 North Seventh Street  
12 Phoenix, Arizona 85006-1090

13 Walter W. Meek, President  
14 Arizona Utility Investors Association  
15 2100 North Central Ave., Suite 210  
16 Phoenix, Arizona 85004

17

18 By Linda Reeves  
19 Linda Reeves

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## ARIZONA CORPORATION COMMISSION

### MINUTES

**Working Session - Tuesday, January 25, 2000 -- 10:00 a.m.**  
**Regular Open Meeting - Wednesday, January 26, 2000 -- 10:00 a.m.**

This meeting was called to order by Chairman Carl J. Kunasek at 10:00 a.m. Also in attendance were Commissioner Jim Irvin, Commissioner William A. Mundell, Brian C. McNeil, Division Directors Jerry Rudibaugh, Mark Sendrow, Deb Scott, and Lyn Farmer.

In attendance: Marc Stern, Karen Nally, Stephen Gibelli, Cheryl Farson, David Motycka, Will Shand, Kevin Mosier, Bill Rigsby, Barbara Keene, Bob Gray, Steve Olea, Robert Metli, Claudio Fernandez, Heather Murphy, Patrick Black, Jerry Porter, Hercules Dellas, Brenda Marshall, and interns Brian Smith, Erinn Andresen and Adam Stanford.

**Also appearing before the Commission:**

Jeff Crockett, representing AZTEL & Southwestern Telephone  
Brad Hill, Water Resources Manager, representing City of Peoria  
Craig Marks, representing Citizens Utilities Co.  
Scott Wakefield, RUCO  
Charles Chadbourn, representing Sun City Recreation Centers & Sun City Foundation  
Bill Meek, President, Arizona Utility Investors Association  
Paul White, President, HOA Water Committee  
Blaine Donaldson, President Sun City Home Owners Association  
William G. Beyer, Attorney, CAP Task Force  
Paul Michaid, representing Sun City Taxpayers Association  
James J. Rolle, Utilities Consultant  
Robert Briscoe, President, Rec. Centers Sun City.  
Robert L. Jones, Director, Sun City West Rec. Centers - Governing Board  
Joe Moore, President, Condominium Owners of Sun City  
Phil Garner, President, Property Owners & Residents Association - Sun City West  
Larry Watts, Water Committee Member  
W.C. 'Bill' Hafeman, Co-Chairman Sun, Sun City West Coalition  
H. Paul Hunt, Sun City Home Owners Association  
Eugene Jensen, Home Owners Association  
Nancy Nieman, Home Owners Association  
Gene Zylstra, Water Task Force Member  
Eve Holden, Sun City Taxpayer

Chairman Kunasek announced that agenda item U-41 would be considered first and then item U-40.

40. Starlight Water Company (W-02848A-99-0456) – Application for an Increase in its Water Rates for Customers Within Coconino County, Arizona

PULLED UNTIL THE 2/15/00-2/16/00 OPEN MEETING

41. Sun City Water Company and Sun City West Utilities Company (W-01656A-98-0577 & SW-02334A-98-0577) – Joint Application for Approval of Central Arizona Project Water Utilization Plan and For an Accounting Order Authorizing a Groundwater Savings Fee and Recovery of Deferred Central Arizona Projects Expenses

Jerry Rudibaugh introduced this item.

Blaine Donaldson, President of the Sun City Home Owners Association, spoke in support of the CAP Water Task Force recommendation for the use of CAP water for the irrigation of the golf course in Sun City to replace the ground water that is currently being used. He requested that the Commission accept Hearing Officer Rudibaugh's proposed order.

William Beyer, attorney with offices in Sun City and Glendale, Arizona commended Mr. Rudibaugh for an excellent job in a very difficult situation. He stated that the recommendation of Mr. Rudibaugh represents a balance and the CAP Task Force supports the report provided that there are no substantive changes made to it. He added that they accept the amendments that have been proposed by Commissioner Mundell and RUCO respectively.

Paul Michaid, representing the Sun City Taxpayers Association stated that they generally support a long term CAP utilization plan that would involve the golf courses. The reason for the support is that it provides direct benefits to the Sun City communities, possibly in line with the cost that the ratepayers will be expected to pay. He went on to explain four exceptions that they believe would make the recommended order better.

Charles Chadbourn deferred his comments until a later time.

James Rolle stated that there is a lot of development in the West and the water table is going down fast. He added that this is not really for the golf courses. Golf courses are to preserve the right and the system being proposed will have the facilities in place to bring the water to Sun City so that when it is needed they can put in a surface water facility that will also take care of the groundwater. When the groundwater table has dissipated to a low level there is so much impurity in the water that the groundwater and the surface water will have to be treated together.

Robert Briscoe, President of the Recreation Centers of Sun City stated that they fully support the use of CAP water on their golf courses to reduce the groundwater pumping. They recommended the approval of the Hearing Officer's proposed order.

ARIZONA CORPORATION COMMISSION

MINUTES

Working Session - January 25, 1999

Regular Open Meeting - January 26, 1999

Page 14

Robert Jones, Director of the Sun City West Recreation Centers Governing Board stated that they strongly support the findings of the Hearing Officer in its entirety.

Joe Moore, President of the Sun City Condominiums Owners Association stated that they reached a consensus to retain the CAP water allocation, use this water on the golf courses, share the cost equally among all units, and they support Mr. Rudibaugh's proposed order.

Phil Garner, President of the Sun City West Property Owners & Residents Association stated that they support the interim recharge program and feels that they must proceed with the pipeline to bring CAP water to the Sun Cities as proposed. They strongly support Mr. Rudibaugh's recommended order without amendments.

Commissioner Mundell asked that a copy of his proposed amendment be given to Mr. Garner so that when it came time to debate it he would have had the opportunity to read it since he stated that he supported the order without amendments.

Larry Watts, a Water Committee Member stated that he gathered signatures from the residents in support of this order.

Bill Hafeman, co-chairman of the Sun City West Coalition stated that they strongly endorse the use of the proposed CAP allotment recommended by the CAP Task Force and Mr. Rudibaugh.

Paul Hunt, representing six families stated that they would like to have the CAP water under any circumstances. They would like the chance to review the proposed amendments.

Eugene Jensen stated that he is a resident of Sun City, registered Professional Engineer in Arizona and has 40 years of responsible administrative experience with water resources. He supports the recommended order and hopes that the Commission will do the same.

Chairman Kunasek stated that he is aware of Mr. Jensen's background and asked him if he was comfortable with the recommended order as it stands. Mr. Jensen stated that he was very familiar with this issue and he hopes that the Commission will support it.

Nancy Neiman, member of the Homeowners Association stated that she was an active participant and observer of the task force studies. She became a staunch supporter of their findings and believes that they must have an alternative source to the well water. She also feels that there is a moral obligation to the joint cities that have already accepted the CAP water.

Gene Zylstra, resident of Sun City, Task Force Member and member of the Homeowners Association Water Committee stated that they support the Hearing Officer's recommended order.

Brad Hill, Water Resources Manager for the City of Peoria stated that Peoria does recognize the long-term hydrologic implications of continuing to mine the water supply in the Northwest

ARIZONA CORPORATION COMMISSION

MINUTES

Working Session – January 25, 1999

Regular Open Meeting – January 26, 1999

Page 15

Valley. Peoria supports any efforts by surrounding water providers in their attempts in transitioning away from a mined water supply to a renewable one. Peoria supports the recommended order. He stated that he supports Commissioner Mundell's amendment. He also would like to take some exception to a previous attorney's attempts at providing this Commission some hydrologic advice. He has not had the opportunity to be privy to the hydrologic analysis of recharging the efforts in the Northwest Valley, it will benefit all Northwest Valley water providers.

Mr. Michaid stated that a recharge project north of the Sun Cities would benefit the Northwest Valley as a whole. He believes that if this is going to be a regional wide plan then the region should pay for it.

Commissioner Mundell asked if the taxpayers of the other entities such as Peoria or Glendale are also paying for projects in their areas. Mr. Hill stated that they are.

Craig Marks, representing Citizens stated that the proposed order represents a solution that is a win for all parties. He stated that the proposal that is in front of the Commission today is what the communities are looking for. He stated that Citizens Company does support the Utilities Division amendment and Commissioner Mundell's amendment. He spoke about Sun City Taxpayers Association's exceptions.

Commissioner Mundell asked Mr. Marks if they support RUCO's proposed amendment. Mr. Marks stated that they do not because he believes that Commissioner Mundell's amendment captures the heart of the issue that RUCO's amendment addresses.

Commissioner Irvin stated that one of the things that concern him regarding the recovery of CAP allocated costs is the late payments. He asked how much money has been charged and how much Citizens has paid in late payment costs. Mr. Marks stated that he could get the number for Commissioner Irvin but they are not seeking recovery of those late payments. This was an issue that RUCO had and the Hearing Officer found for RUCO. He added that they accepted this and did not take further exception to it.

Scott Wakefield, representing RUCO stated it was clear from the statements made that the Commission's role is not completed. He believes there is further study that needs to be made and the recommended order requires that Citizens complete a preliminary design and an updated cost estimate for further Commission review. RUCO supports the main recommended order and have exception to one phrase. That phrase is on page 16, line 20-21, that says "we will approve the concept of the groundwater savings project". He stated that the Commission should not grant its approval of the ultimate concept until all of the facts are known. RUCO recommends that the Commission leave in place this future process that will take place and require Citizens to file what the recommended order suggests that they file, review it and at that point determine whether or not they will approve the groundwater savings project. They don't think that it is wise to prejudge the outcome of that proceeding by including what could be misinterpreted as

ARIZONA CORPORATION COMMISSION

MINUTES

Working Session – January 25, 1999

Regular Open Meeting – January 26, 1999

Page 16

approval of a project when all the details are not known. RUCO has put forth in its exceptions language that they believe clears this up and removes that phrase and leaves everything else in place. RUCO generally supports Commissioner Mundell's amendment but they are slightly concerned whether the 30 days in the first paragraph is sufficient. He added that Citizens has six more months to complete this study and it could be practical and would facilitate more meaningful input if there is more than 30 days to review it. He added that Mundell's amendment does not address RUCO's primary concern but it is consistent with it and both these amendments could be adopted. He stated that RUCO supports the Sun City Taxpayers Association proposed amendment A, if B and C are taken together they could support them, but they oppose amendment D. RUCO does not have any problem with Staff's proposed amendment.

Commissioner Mundell asked Mr. Wakefield if he thought that the Mundell amendment has safeguards in it without being too specific in details. Mr. Wakefield stated that it has some safeguards. He does believe what may come back at a future proceeding is that the Commission has already given its preliminary approval of the project and there may be a dispute as to whether or not to come up with some form of groundwater savings project that would work. RUCO is not prepared to say that there will be some form of the groundwater savings project that will work. He added that it is possible that no matter what permutation of it comes forth from Citizens further study that rate shock may be too great. RUCO's testimony at the hearing was that the groundwater savings project as it had been proposed for this proceeding would result in 40% increase in rate base, which would result in rate shock. Even with RUCO's proposed rate design, which would have resulted in a slight increase to some of the condominium customers, they were very upset about that slight increase. The increase that would result from implementation of the groundwater savings project would far exceed that and RUCO believes the Commission needs to take a serious look at what the impact will be on rates before they grant even preliminary approval to that project.

Chairman Kunasek asked if Mr. Wakefield's estimate was based on the first presentation of Citizens as to what the cost might be. Mr. Wakefield stated that it was based on testimony that it would be about a \$15 million capital cost plus ongoing costs. Chairman Kunasek stated that the ongoing cost would continue without regard to what the capital costs are. Mr. Wakefield stated that with the various plans that had been evaluated by the task force, there were different ongoing costs.

Bill Meek, President of the Arizona Utility Investors Association stated that they supported the proposed order with an exception to two areas. 1) They feel that Citizens should be allowed its authorized cost of capital for the rate of return on its deferred CAP costs, rather than ½ that amount as the Hearing Officer recommended. 2) The recovery period should be 42 months rather than 60 months. He added that as he read the other exceptions he realized that everyone is asking the Commission to tinker, one way or another, with the Hearing Officer's recommendation. He suggested that he is not sure that this tinkering is appropriate. He added that he supports the Staff's and Commissioner Mundell's proposed amendments.

ARIZONA CORPORATION COMMISSION

MINUTES

Working Session – January 25, 1999

Regular Open Meeting – January 26, 1999

Page 17

Don Coleman, a member of the task force stated that his analysis of the issue did not reveal that this is the way this should go. He went on to explain the reasons for his belief.

Paul White, President of Homeowners Association Water Committee stated that this project needs to be done now, while it is economical.

Mary Elaine Charlesworth, President of the Sun City Taxpayers Association stated that they are intervenors in this issue. She added that they have never been against CAP water but the problem is not just a water problem. She believes it is a money problem and they are in a community that lives on a fixed income and some of the individuals will have problems paying the increase.

Eve Holden, Director of the Sun City Taxpayer Association stated that there is no need for groundwater. She does not think that Sun City should be responsible for any incurred cost when the water goes to other areas.

David Motycka stated that Staff supports Commissioner Mundell's amendment. Regarding RUCO's amendment Staff does not believe that all of it needs to be incorporated but they do support the last part which consists of deleting, "will approve the concept" and adding "reserve approval" and deleting the word "and" and replacing with "however, will."

Mr. Rudibaugh stated that the Hearing Division supports Commissioner Mundell's amendment. He noted that he has a strong objection to the RUCO amendment. He stated that the Commission does need to approve the concept, at this time. This order attempts to recognize the evidence at the hearing and that some of the parties indicated that the plan as originally proposed by Citizens may be too high and may need to be looked at. He believes that the Commissioners do need to make a decision today to approve the concept.

Commissioner Irvin stated that by approving this concept it locks the Commission into using only this concept. He added that if the RUCO amendment is adopted it would give them the latitude, if this plans turns out to be too costly, to look at other concepts in the same period of time. He stated that he favors this because he does not think it would be prudent, at this time, since the cost is unknown, not to keep the Commission's avenues open.

Mr. Rudibaugh responded to Commissioner Irvin by stating that the hearing held was the time for people to bring forth their concepts. The task force, as a part of their review, looked at six projects and determined from those projects that the proposal they favored was the golf course proposal. He believes, if the concept is not approved, they have wasted a year worth of study and a majority of the people have indicated recognition that the golf course project is the best approach. They do differ on the cost involved and there is support to review certain items that may not be necessary that would reduce the \$15 million.

ARIZONA CORPORATION COMMISSION

MINUTES

Working Session – January 25, 1999

Regular Open Meeting – January 26, 1999

Page 18

Commissioner Irvin wanted to know what would happen if they are stuck with this concept and the cost is deemed too high by the Commission. Mr. Rudibaugh stated that the Commission can modify their decision if they desire to do so. He believes that what the Commission would be locked into is any reasonable and prudent cost that Citizens would be putting in to study this plan.

Commissioner Irvin stated that he brings this issue up because it will not be Citizens that will be doing this. He added that Citizens has announced the preliminary sale of this company. The new company does not have a great deal of problem with the order but there will be a whole new company that has not been a part of this and they may want to look at this with different ideas. His point is that he would like some flexibility. Mr. Rudibaugh stated that the company that is attempting to purchase Citizens can negotiate these issues in their agreement.

Mr. Beyer stated that the Homeowners Association, Sun City Recreation Centers, Condominium Owners Association, Sun City West Recreation Centers, and property owners all support the Mundell amendment. He corrected his earlier statement regarding RUCO's amendment, by stating that all of the organizations in support of this recommended order, strongly support going ahead at this point. They do not support RUCO's recommendation that they hold back on a commitment to the long-term groundwater savings project. He feels if this happens they would have wasted close to 8 years.

Mr. Zylstra stated that he was concerned with the comment that people of Sun City are not educated on this issue. He added that they have a grant from the Arizona Department of Water Resources and have been educating the people of Sun City. They have sent every household a brochure about CAP water. They have been making presentations for the last six months or more. He added that Sun City West has done the same thing.

Chuck Chadbourne, representing Sun City Rec Centers & Sun City Foundation responded to the statements made by the Taxpayers Association regarding poor people in Sun City. He stated that the Sun City Foundation is a charitable organization that is set up to pay the rec center dues for residents who have fallen on hard times. To date they are paying the dues for seven people, which suggest that the poor people of Sun City do not exist.

Mr. Wakefield clarified that the RUCO amendment does provide that the Commission, at this time, would approve the reasonable and prudent costs associated with the completion of the preliminary design and updated cost estimate. He discussed the part of the RUCO amendment that at line 21, page 16 after "project" delete "and" and insert "however, we will".

Commissioner Mundell asked if the Sun City Taxpayers Association approved the concept of the golf course in their testimony? Mr. Rudibaugh stated that he understands that they generally supported the long-term project but recommended consideration of changes to the project that could substantially reduce the cost and that is what is before the Commission.

ARIZONA CORPORATION COMMISSION  
MINUTES  
Working Session – January 25, 1999  
Regular Open Meeting – January 26, 1999  
Page 19

Craig Marks discussed that if they don't get approval of a plan today, there is nothing to prevent them from having to go back to the drawing board in six or eight months and having to start all over again. He added that all of the time spent on this issue would be for naught. He urged the Commission to approve the concept today.

Commissioner Irvin stated that he disagrees that the work done by the task force and everyone has been for naught. He stated that the work done has brought this issue to light.

Ms. Charlesworth described her view of the Committee meetings.

*Commissioner Mundell moved Item U-41 and his proposed amendment. Commissioner Irvin made a friendly amendment to this amendment changing, in the first ordering paragraph, both 30 days to 60 days and in the second ordering paragraph, 15 days will be changed to 30 days. The amendment passed as modified. Commissioner Irvin moved a floor amendment, which reads on page 16, line 21 & 22 delete "will approve the concept" and insert "reserve approval". On page 16, line 21 after the word "project" insert "for further study and subject to approval for reasonable and prudent cost".*

Discussion ensued regarding the proposed floor amendment.

Ray Jones, Vice President/General Manager of Citizens Water Resources Operations in the Sun City area stated that this entire case was about approving this concept. He stated that the time to make the decision is today and if the Commission does not do that, he will be forced to do it.

Commissioner Irvin reiterated his concern with what might happen if the Commission deems that the project or concept proposed is too expensive. Mr. Jones stated that the concept before this Commission is groundwater savings project for the golf courses that will not cost in excess of \$15 million. The cost estimate prepared by Citizens was a comparative cost estimate designed to include any and all possible components that might be necessary to build this project. It was put forth as the maximum cost of the project. Every person that testified at this hearing stated that they believe it can be done cheaper than the estimate before the Commission. Commissioner Irvin asked if Citizens would be willing to cap the cost at \$11 million. Mr. Jones stated that they would not because that is not the issue. The community has evaluated, not only the cost, but the benefits. This community has determined that the benefits of using the water directly in Sun City justifies the extra cost.

Commissioner Irvin stated that basically what this Commission will be doing is giving the company \$15 million. Mr. Jones stated that he did not believe that to be true with Commissioner Mundell's amendment.

Chairman Kunasek suggested leaving the language on page 16, line 20 the same. The sentence that begins "as a result" add "we will approve the concept of the groundwater savings project.

Approval of the reasonable and prudent cost associated with the completion of the preliminary design update cost estimate must be obtained from the Commission before implementation.”

Mr. Marks commented on this proposed amendment stating that he is ok with the first sentence. The intent of the second clause of the sentence that starts on line 20 is that Citizens is given the go ahead to spend what will be a relatively significant amount of money to do the preliminary design work to get a really hard estimate of what this will cost. This substantial sum of money is approved. Nobody has taken issue with that concept.

Discussion ensued regarding this order giving approval to the company to spend approximately \$300,000 to go out and do what needs to be done so they can come back to the Commission and provide what the cost of the project will be. RUCO stated that they have never opposed the further cost for the study. What they oppose is the approval of the \$15 million at this point before the results of that study is known. Their concern is that people could make an argument that the approval for the \$15 million is in the order.

Commissioner Irvin pointed out that the order also calls for other options that should be looked at for completion of this project. Mr. Marks stated that because of the sections that Commissioner Irvin pointed out and the procedural safeguards that the Mundell amendment provides, the Commission would not be locked into the golf course project.

Mr. Michaid suggested that this could be solved by ordering Citizens to, when they come back to the Commission after fulfilling all of the requirements in the order, perform a cost benefit analysis. This would tie it all together and it will give Citizens the opportunity to justify the amount. Commissioner Irvin stated that he had a problem with what the cost of the cost analysis benefit would be. He added that they are not trying to run costs up but come up with a program that is going to meet the needs of the people.

Chairman Kunasek withdrew his proposed language.

Commissioner Irvin stated that, with the clear understanding the concept will include all of the feasibility studies, A, B, C, etc., he will withdraw his amendment.

Discussion ensued regarding the Utilities Division amendment.

*Commissioner Irvin moved the Utilities Division amendment, which passed. Commissioner Irvin moved the order as amended, which passed by a vote of 3 ayes and no nays.*

42. Tonto Hills Utility Company (W-02483A-99-0558) – Application for Approval of Long-Term Debt